

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Charter Township of Tallmadge	<b>County</b> Ottawa
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> June 1, 2006	<b>Date Accountant Report Submitted to State:</b> June 1, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

June 1, 2006

To the Township Board  
Charter Township of Tallmadge  
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Tallmadge, Ottawa County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Tallmadge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Tallmadge, Ottawa County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Charter Township of Tallmadge covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$2,459,930.30 for governmental activities. Overall total capital assets increased by \$873,464.40.

Overall revenues were \$1,433,110.66 from governmental activities. Governmental activities had a \$251,221.22 decrease in net assets.

We received \$950,000.00 in loan proceeds from the 2006 sewer loan payable to Ottawa County.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds, the Current Tax Collection Fund and the Agency Fund.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we spent \$840,064.15 to improve the sewer systems. We purchased \$130,967.25 in other capital assets.

Our cash position in the governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$450,856.71. The Fire Capital Improvement Fund incurred \$266,950.45 in operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$971,030.40 in capital assets.

The Township's governmental activities paid \$545,445.84 of principal on long-term debt and received \$950,000.00 in new debt proceeds.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-677-1248.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank and investments	1 637 648 38
Taxes receivable	36 971 63
Special assessments receivable	<u>993 572 09</u>
Total Current Assets	<u>2 668 192 10</u>
NON-CURRENT ASSETS:	
Capital Assets	9 548 078 33
Less: Accumulated Depreciation	<u>(4 087 689 11)</u>
Total Non-current Assets	<u>5 460 389 22</u>
TOTAL ASSETS	<u><u>8 128 581 32</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>979 096 86</u>
Total Current Liabilities	<u>979 096 86</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>4 689 554 16</u>
Total Non-current Liabilities	<u>4 689 554 16</u>
Total Liabilities	<u>5 668 651 02</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	770 835 06
Reserved for debt retirement	773 706 31
Unrestricted	<u>915 388 93</u>
Total Net Assets	<u>2 459 930 30</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>8 128 581 32</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>		<u>Charges for Services</u>	
Governmental Activities:			
Legislative	69 244 46	-	(69 244 46)
General government	205 716 99	122 030 19	(83 686 80)
Public safety	465 301 41	155 331 09	(309 970 30)
Public works	690 381 68	322 122 39	(368 259 29)
Culture and recreation	22 499 91	-	(22 499 91)
Other	33 478 46	-	(33 478 46)
Interest on long-term debt	197 708 97	-	(197 708 97)
Total Governmental Activities	<u>1 684 331 88</u>	<u>599 483 67</u>	<u>(1 084 848 19)</u>
General Revenues:			
Property taxes			272 500 78
State revenue sharing			475 043 02
Interest			54 198 88
Miscellaneous			<u>31 884 31</u>
Total General Revenues			<u>833 626 99</u>
Change in net assets			(251 221 22)
Net assets, beginning of year			<u>2 711 151 52</u>
Net Assets, End of Year			<u>2 459 930 30</u>

The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Cash in bank and investments	467 423 78	297 790 35	283 455 92	274 047 00
Taxes receivable	20 648 23	16 323 40	-	-
Special assessments receivable	71 250 31	-	319 209 51	228 301 24
Due from other funds	12 100 23	-	-	-
Total Assets	<u>571 422 55</u>	<u>314 113 75</u>	<u>602 665 43</u>	<u>502 348 24</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	-	-
Deferred revenue	71 250 31	-	310 316 75	226 845 24
Total liabilities	<u>71 250 31</u>	<u>-</u>	<u>310 316 75</u>	<u>226 845 24</u>
Fund equity:				
Fund balances:				
Reserved for debt retirement	-	-	292 348 68	275 503 00
Unreserved:				
Undesignated	500 172 24	314 113 75	-	-
Total fund equity	<u>500 172 24</u>	<u>314 113 75</u>	<u>292 348 68</u>	<u>275 503 00</u>
Total Liabilities and Fund Equity	<u>571 422 55</u>	<u>314 113 75</u>	<u>602 665 43</u>	<u>502 348 24</u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2006 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
200 484 12	84 071 98	18 292 12	1 625 565 27
-	-	-	36 971 63
374 811 03	-	-	993 572 09
-	-	-	12 100 23
<u>575 295 15</u>	<u>84 071 98</u>	<u>18 292 12</u>	<u>2 668 209 22</u>
-	-	17 12	17 12
<u>370 684 56</u>	<u>-</u>	<u>-</u>	<u>979 096 86</u>
<u>370 684 56</u>	<u>-</u>	<u>17 12</u>	<u>979 113 98</u>
204 610 59	-	1 244 04	773 706 31
-	84 071 98	17 030 96	915 388 93
<u>204 610 59</u>	<u>84 071 98</u>	<u>18 275 00</u>	<u>1 689 095 24</u>
<u>575 295 15</u>	<u>84 071 98</u>	<u>18 292 12</u>	<u>2 668 209 22</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 689 095 24
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	9 548 078 33
Accumulated depreciation	(4 087 689 11)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(4 689 554 16)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>2 459 930 30</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Revenues:				
Property taxes	216 333 20	56 167 58	-	-
Licenses and permits	85 159 02	-	-	-
State revenue sharing	475 043 22	-	-	-
Charges for services:				
Property tax administration	68 227 88	-	-	-
Fire protection	-	51 554 09	-	-
Other	9 720 09	-	-	-
Interest	22 470 42	6 232 35	8 668 58	8 637 75
Rent	4 700 00	-	-	-
Special assessments	32 783 43	-	68 482 72	57 041 09
Miscellaneous	9 787 14	18 779 71	-	-
Total revenues	<u>924 224 40</u>	<u>132 733 73</u>	<u>77 151 30</u>	<u>65 678 84</u>
Expenditures:				
Legislative:				
Township Board	69 244 46	-	-	-
General government:				
Supervisor	22 593 61	-	-	-
Elections	2 643 77	-	-	-
Assessor	22 059 73	-	-	-
Professional fees	56 260 63	-	-	-
Clerk	27 750 99	-	-	-
Board of Review	600 00	-	-	-
Treasurer	27 900 13	-	-	-
Building and grounds	32 530 93	-	-	-
Cemetery	2 950 00	-	-	-
Public safety:				
Fire protection	-	148 049 45	-	-
Police protection	27 444 38	-	-	-
Planning and zoning	22 699 92	-	-	-
Building inspection	33 789 83	-	-	-
Public works:				
Highways and streets	25 578 89	-	-	-
Street lights	10 487 46	-	-	-
Drains	1 941 78	-	-	-
Sewer	-	-	-	-
Hydrant rental	10 528 00	-	-	-
Culture and recreation:				
Parks and recreation	8 307 49	-	-	-
Other functions:				
Insurance	14 992 60	-	-	-
Payroll taxes	9 755 02	-	-	-
Pension	8 730 84	-	-	-
Capital outlay	12 066 25	118 901 00	-	-
Debt service	-	-	91 202 50	83 151 25
Total expenditures	<u>450 856 71</u>	<u>266 950 45</u>	<u>91 202 50</u>	<u>83 151 25</u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2006 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
-	-	-	272 500 78
-	-	-	85 159 02
-	-	-	475 043 22
-	-	-	68 227 88
-	-	58 000 00	109 554 09
-	-	65 841 27	75 561 36
2 532 63	1 655 94	4 001 21	54 198 88
-	-	-	4 700 00
97 973 88	-	-	256 281 12
-	-	3 317 46	31 884 31
<u>100 506 51</u>	<u>1 655 94</u>	<u>131 159 94</u>	<u>1 433 110 66</u>
-	-	-	69 244 46
-	-	-	22 593 61
-	-	-	2 643 77
-	-	-	22 059 73
-	-	-	56 260 63
-	-	-	27 750 99
-	-	-	600 00
-	-	-	27 900 13
-	-	-	32 530 93
-	-	-	2 950 00
-	-	186 492 78	334 542 23
-	-	-	27 444 38
-	-	-	22 699 92
-	-	-	33 789 83
-	-	-	25 578 89
-	-	-	10 487 46
-	-	-	1 941 78
-	840 064 15	65 841 27	905 905 42
-	-	-	10 528 00
-	-	-	8 307 49
-	-	-	14 992 60
-	-	-	9 755 02
-	-	-	8 730 84
-	-	-	130 967 25
<u>81 372 50</u>	<u>27 519 81</u>	<u>459 908 75</u>	<u>743 154 81</u>
<u>81 372 50</u>	<u>867 583 96</u>	<u>712 242 80</u>	<u>2 553 360 17</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Excess (deficiency) of revenues over expenditures	<u>473 367 69</u>	<u>(134 216 72)</u>	<u>(14 051 20)</u>	<u>(17 472 41)</u>
Other financing sources (uses):				
Loan Proceeds	-	-	-	-
Operating transfers in	82 854 81	-	-	-
Operating transfers out	<u>(408 583 75)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(325 728 94)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	147 638 75	(134 216 72)	(14 051 20)	(17 472 41)
Fund balances, April 1	<u>352 533 49</u>	<u>448 330 47</u>	<u>306 399 88</u>	<u>292 975 41</u>
Fund Balances, March 31	<u><u>500 172 24</u></u>	<u><u>314 113 75</u></u>	<u><u>292 348 68</u></u>	<u><u>275 503 00</u></u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2006 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
<u>19 134 01</u>	<u>(2 663 03)</u>	<u>(581 082 86)</u>	<u>(1 120 249 51)</u>
-	950 000 00	-	950 000 00
-	-	408 583 75	491 438 56
-	-	<u>82 854 81</u>	<u>(491 438 56)</u>
<u>-</u>	<u>950 000 00</u>	<u>325 728 94</u>	<u>950 000 00</u>
19 134 01	84 071 98	(255 353 92)	(170 249 51)
<u>185 476 58</u>	<u>-</u>	<u>273 628 92</u>	<u>1 859 344 75</u>
<u>204 610 59</u>	<u>84 071 98</u>	<u>18 275 00</u>	<u>1 689 095 24</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (170 249 51)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(647 448 95)
Capital Outlay	971 031 40

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	545 445 84
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Receipt of loan proceeds is a revenue in the governmental funds, it is not a  
revenue in the statement of activities

(950 000 00)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

<u>(251 221 22)</u>
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The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Tallmadge, Ottawa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Tallmadge. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds

These funds are used to record the funding and payment of principal and interest on long-term debt.

Capital Projects Funds

These funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

Fiduciary Funds

The Current Tax Collection Fund and Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 1.2088 mills, and the taxable value was \$217,091,230.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-40 years
Furniture, vehicles and equipment	4-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Carrying Amounts</u>
Total Deposits	<u>1 646 154 78</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	

	<u>Bank Balances</u>
Insured (FDIC)	300 432 00
Uninsured and Uncollateralized	<u>1 348 268 47</u>
Total Deposits	<u>1 648 700 47</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				115 07
Total Investments				<u>115 07</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land and improvements	487 043 35	-	-	487 043 35
Buildings	278 910 00	-	-	278 910 00
Vehicles and equipment	768 660 58	130 967 25	97 567 00	802 060 83
Infrastructure funded by bonds	<u>7 140 000 00</u>	<u>840 064 15</u>	<u>-</u>	<u>7 980 064 15</u>
Total	8 674 613 93	971 031 40	-	9 548 078 33
Accumulated Depreciation	<u>(3 537 807 16)</u>	<u>(647 448 95)</u>	<u>-</u>	<u>(4 087 689 11)</u>
Net Capital Assets	<u>5 136 806 77</u>	<u>323 582 45</u>	<u>-</u>	<u>5 460 389 22</u>

Note 5 – Pension Plan

The Charter Township has a defined contribution pension plan covering all full time employees of the Township. Under the plan, the Township contributes amounts based on the employees' annual earnings. The net pension expense for the fiscal year ended March 31, 2006, was \$15,469.08.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$45,777.00 and building permit expenses of \$33,789.83.

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 9 – Changes in Long-Term Debt

A summary in changes in long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
1995 Special Assessment Bonds	155 000 00	-	155 000 00	-
1998 Special Assessment Bonds	585 000 00	-	65 000 00	520 000 00
1998 General Obligation Bonds	220 000 00	-	50 000 00	170 000 00
1999 Special Assessment Bonds	550 000 00	-	55 000 00	495 000 00
1999 General Obligation Bonds	845 000 00	-	65 000 00	780 000 00
2001 Special Assessment Bonds	645 000 00	-	55 000 00	590 000 00
2001 General Obligation Bonds	1 285 000 00	-	80 000 00	1 205 000 00
2006 Sewer Loan Payable Ottawa County	-	950 000 00	20 445 84	929 554 16
Totals	<u>4 285 000 00</u>	<u>950 000 00</u>	<u>545 445 84</u>	<u>4 689 554 16</u>

Note 10 – 1995 Special Assessment Bonds

On November 1, 1995, the Township issued \$1,500,000.00 in bonds for the purpose of funding construction of an industrial park. The bonds were repaid through special assessments. During the year ended March 31, 2006, the bonds were paid off in full.

Note 11 – 1998 Special Assessment Bonds

On March 1, 1998, the Township issued \$985,000.00 in bonds for the purpose of funding water and sewer line extensions. The bonds will be repaid through special assessments. As of March 31, 2006, \$520,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	4.45%	65 000 00	12 171 25
1-1-07	-	-	10 725 00
7-1-07	4.5%	65 000 00	10 725 00
1-1-08	-	-	9 262 50
7-1-08	4.6%	65 000 00	9 262 50
1-1-09	-	-	7 767 50
7-1-09	4.7%	65 000 00	7 767 50
1-1-10	-	-	6 240 00
7-1-10	4.75%	65 000 00	6 240 00
1-1-11	-	-	4 696 25

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 11 – 1998 Special Assessment Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-11	4.8%	65 000 00	4 696 25
1-1-12	-	-	3 136 25
7-1-12	4.8%	65 000 00	3 136 25
1-1-13	-	-	1 576 25
7-1-13	4.85%	65 000 00	1 576 25
Total		<u>520 000 00</u>	<u>98 978 75</u>

Note 12 – 1998 General Obligation Bonds

On March 1, 1998, the Township issued \$475,000.00 in bonds for the purpose of funding water and sewer line extensions. As of March 31, 2006, \$170,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	4.45%	55 000 00	3 841 25
1-1-07	-	-	2 617 50
7-1-07	4.5%	55 000 00	2 617 50
1-1-08	-	-	1 380 00
7-1-08	4.6%	60 000 00	1 380 00
Total		<u>170 000 00</u>	<u>11 836 25</u>

Note 13 – 1999 Special Assessment Bonds

On October 1, 1999, the Township issued \$755,000.00 in bonds for the purpose of funding water, sewer and road improvements. The bonds will be repaid through special assessments. As of March 31, 2006, \$495,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	5.15%	55 000 00	13 217 50
1-1-07	-	-	11 801 25
7-1-07	5.15%	55 000 00	11 801 25
1-1-08	-	-	10 385 00
7-1-08	5.15%	50 000 00	10 385 00
1-1-09	-	-	9 097 50
7-1-09	5.15%	50 000 00	9 097 50
1-1-10	-	-	7 810 00
7-1-10	5.25%	50 000 00	7 810 00
1-1-11	-	-	6 497 50



CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 13 – 1999 Special Assessment Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-11	5.35%	50 000 00	6 497 50
1-1-12	-	-	5 160 00
7-1-12	5.45%	50 000 00	5 160 00
1-1-13	-	-	3 797 50
7-1-13	5.55%	50 000 00	3 797 50
1-1-14	-	-	2 410 00
7-1-14	5.65%	50 000 00	2 410 00
1-1-15	-	-	997 50
7-1-15	5.7%	35 000 00	997 50
Total		<u>495 000 00</u>	<u>129 130 00</u>

Note 14 – 1999 General Obligation Bonds

On October 1, 1999, the Township issued \$1,135,000.00 in bonds for the purpose of funding water, sewer and road improvements. As of March 31, 2006, \$780,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	5.15%	70 000 00	20 822 50
1-1-07	-	-	19 020 00
7-1-07	5.15%	75 000 00	19 020 00
1-1-08	-	-	17 088 75
7-1-08	5.15%	80 000 00	17 088 75
1-1-09	-	-	15 028 75
7-1-09	5.15%	80 000 00	15 028 75
1-1-10	-	-	12 968 75
7-1-10	5.25%	85 000 00	12 968 75
1-1-11	-	-	10 737 50
7-1-11	5.35%	90 000 00	10 737 50
1-1-12	-	-	8 330 00
7-1-12	5.45%	95 000 00	8 330 00
1-1-13	-	-	5 741 25
7-1-13	5.55%	100 000 00	5 741 25
1-1-14	-	-	2 966 25
7-1-14	5.56%	105 000 00	2 966 25
Total		<u>780 000 00</u>	<u>204 585 00</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 15 – 2001 Special Assessment Bonds

On October 1, 2001, the Township issued \$775,000.00 in bonds for the purpose of funding water, sewer and road improvements. The bonds will be repaid through special assessments. As of March 31, 2006, \$590,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	6.00%	55 000 00	12 236 25
1-1-07	-	-	10 586 25
7-1-07	3.35%	55 000 00	10 586 25
1-1-08	-	-	9 665 00
7-1-08	3.35%	55 000 00	9 665 00
1-1-09	-	-	8 688 75
7-1-09	3.70%	55 000 00	8 688 75
1-1-10	-	-	7 671 25
7-1-10	3.80%	50 000 00	7 671 25
1-1-11	-	-	6 721 25
7-1-11	3.90%	55 000 00	6 721 25
1-1-12	-	-	5 648 75
7-1-12	4.00%	55 000 00	5 648 75
1-1-13	-	-	4 548 75
7-1-13	4.15%	55 000 00	4 548 75
1-1-14	-	-	3 407 50
7-1-14	4.30%	55 000 00	3 407 50
1-1-15	-	-	2 225 00
7-1-15	4.40%	50 000 00	2 225 00
1-1-16	-	-	1 125 00
7-1-16	4.50%	50 000 00	1 125 00
Total		<u>590 000 00</u>	<u>132 811 25</u>

Note 16 – 2001 General Obligation Bonds

On October 1, 2001, the Township issued \$1,515,000.00 in bonds for the purpose of funding water, sewer and road improvements. As of March 31, 2006, \$1,205,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-06	6.00%	85 000 00	25 066 25
1-1-07	-	-	22 516 25
7-1-07	3.35%	85 000 00	22 516 25
1-1-08	-	-	21 092 50
7-1-08	3.55%	90 000 00	21 092 50
1-1-09	-	-	19 495 00
7-1-09	3.70%	95 000 00	19 495 00
1-1-10	-	-	17 737 50

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 16 – 2001 General Obligation Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-10	3.80%	105 000 00	17 737 50
1-1-11	-	-	15 742 50
7-1-11	3.90%	110 000 00	15 742 50
1-1-12	-	-	13 597 50
7-1-12	4.00%	115 000 00	13 597 50
1-1-13	-	-	11 297 50
7-1-13	4.15%	120 000 00	11 297 50
1-1-14	-	-	8 807 50
7-1-14	4.30%	125 000 00	8 807 50
1-1-15	-	-	6 120 00
7-1-15	4.40%	135 000 00	6 120 00
1-1-16	-	-	3 150 00
7-1-16	4.50%	140 000 00	3 150 00
Total		<u>1 205 000 00</u>	<u>304 178 75</u>

Note 17 – 2006 Sewer Loan Payable – Ottawa County

On December 15, 2005, the Township obtained a loan in the amount of \$950,000.00 from Ottawa County for the purpose of making improvements to the Sewer System. The loan is repayable in 120 monthly payments of \$9,173.27 including interest at the rate of 3.0% per annum. As of March 31, 2006, \$929,554.16 of principal remained outstanding.

Note 18 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2006, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	74 819 31	1995 S.A. Debt Retirement	74 819 31
1998 G.O. Debt Retirement	59 182 50	General	59 182 50
1999 G.O. Debt Retirement	108 618 75	General	108 618 75
Fire Operating	108 000 00	General	108 000 00
2001 G.O. Debt Retirement	132 782 50	General	132 782 50
General	<u>8 035 50</u>	Park	<u>8 035 50</u>
Total	<u>491 438 56</u>	Total	<u>491 438 56</u>

Note 19 – Due To and Due From

As of March 31, 2006, the Township had the following interfund balances:

<u>Fund</u>	<u>Due To</u>	<u>Fund</u>	<u>Due From</u>
General	12 011 11	Current Tax Collection	12 011 11
General	72 00	Agency	72 00
General	17 12	Park	17 12
Total	<u>12 100 23</u>	Total	<u>12 100 23</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	219 000 00	219 000 00	216 333 20	(2 666 80)
Licenses and permits	95 000 00	95 000 00	85 159 02	(9 840 98)
State revenue sharing	453 000 00	453 000 00	475 043 22	22 043 22
Charges for services:				
Property tax administration	9 000 00	9 000 00	68 227 88	59 227 88
Other	10 000 00	10 000 00	9 720 09	(279 91)
Interest	8 600 00	9 800 00	22 470 42	12 670 42
Rent	4 000 00	4 000 00	4 700 00	700 00
Special assessments	20 400 00	19 200 00	32 783 43	13 583 43
Miscellaneous	6 400 00	6 400 00	9 787 14	3 387 14
Total revenues	<u>825 400 00</u>	<u>825 400 00</u>	<u>924 224 40</u>	<u>98 824 40</u>
Expenditures:				
Legislative:				
Township Board	69 725 00	73 988 10	69 244 46	(4 743 64)
General government:				
Supervisor	25 860 00	23 860 00	22 593 61	(1 266 39)
Elections	6 600 00	6 600 00	2 643 77	(3 956 23)
Assessor	22 200 00	22 200 00	22 059 73	(140 27)
Professional fees	114 500 00	111 000 00	56 260 23	(54 739 37)
Clerk	27 500 00	30 800 00	27 750 99	(3 049 01)
Board of Review	1 500 00	1 000 00	600 00	(400 00)
Treasurer	28 690 00	28 740 00	27 900 13	(839 87)
Building and grounds	33 000 00	35 710 00	32 530 93	(3 179 07)
Cemetery	4 000 00	3 000 00	2 950 00	(50 00)
Public safety:				
Police protection	25 000 00	27 500 00	27 444 38	(55 62)
Planning and zoning	26 500 00	23 000 00	22 699 92	(300 08)
Building inspection	44 750 00	44 020 00	33 789 83	(10 230 17)
Public works:				
Highways and streets	9 000 00	139 343 88	25 578 89	(113 764 99)
Street lights	12 000 00	12 000 00	10 487 46	(1 512 54)
Drains	5 000 00	5 000 00	1 941 78	(3 058 22)
Water	4 000 00	4 000 00	-	(4 000 00)
Hydrant rental	10 000 00	10 600 00	10 528 00	(72 00)
Culture and recreation:				
Parks and recreation	18 000 00	11 000 00	8 307 49	(2 692 51)
Other functions:				
Insurance	19 000 00	18 500 00	14 992 60	(3 507 40)
Payroll taxes	10 000 00	12 000 00	9 755 02	(2 244 98)
Pension	10 000 00	8 800 00	8 730 84	(69 16)
Capital outlay	2 000 00	17 500 00	12 066 25	(80 000 00)
Contingency	-	80 000 00	-	(80 000 00)
Total expenditures	<u>525 825 00</u>	<u>750 161 98</u>	<u>450 856 71</u>	<u>(299 305 27)</u>
Excess (deficiency) of revenues over expenditures	<u>299 575 00</u>	<u>17 500 00</u>	<u>12 066 25</u>	<u>(5 433 75)</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers in	-	-	82 854 81	82 854 81
Operating transfers out	<u>(414 735 00)</u>	<u>(414 735 00)</u>	<u>(408 583 75)</u>	<u>6 151 25</u>
Total other financing sources (uses)	<u>(438 160 00)</u>	<u>(438 160 00)</u>	<u>(325 728 94)</u>	<u>89 006 06</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(115 160 00)	(339 496 98)	147 638 75	487 135 73
Fund balance, April 1	<u>115 160 00</u>	<u>339 496 98</u>	<u>352 533 49</u>	<u>13 036 51</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>500 172 24</u>	<u>500 172 24</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE CAPITAL IMPROVEMENT FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	56 000 00	56 000 00	56 167 58	167 58
Charges for services:				
Fire protection	53 000 00	53 000 00	51 554 09	(1 445 91)
Interest	2 000 00	2 000 00	6 232 35	4 232 35
Miscellaneous	800 00	800 00	18 779 71	17 979 71
Total revenues	<u>111 800 00</u>	<u>111 800 00</u>	<u>132 733 73</u>	<u>20 933 73</u>
Expenditures:				
Public safety:				
Fire protection	73 000 00	150 000 00	148 049 45	(1 950 55)
Capital outlay	<u>15 000 00</u>	<u>164 582 05</u>	<u>118 901 00</u>	<u>(45 681 05)</u>
Total expenditures	<u>88 000 00</u>	<u>314 582 05</u>	<u>266 950 45</u>	<u>(47 631 60)</u>
Excess (deficiency) of revenues over expenditures	<u>23 800 00</u>	<u>(202 782 05)</u>	<u>(134 216 72)</u>	<u>68 565 33</u>
Fund balance, April 1	<u>52 000 00</u>	<u>202 782 05</u>	<u>448 330 47</u>	<u>245 548 42</u>
Fund Balance, March 31	<u>75 800 00</u>	<u>-</u>	<u>314 113 75</u>	<u>314 113 75</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
March 31, 2006

<u>Assets</u>	<u>Park</u>	<u>Fire</u>	<u>Fire Capital Improvement</u>	<u>Total</u>
Cash in bank and investments	17 12	17 030 96	297 790 35	314 838 43
Taxes receivable	-	-	16 323 40	16 323 40
Total Assets	<u>17 12</u>	<u>17 030 96</u>	<u>314 113 75</u>	<u>331 161 83</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	17 12	-	-	17 12
Total liabilities	<u>17 12</u>	<u>-</u>	<u>-</u>	<u>17 12</u>
Fund balances:				
Unreserved:				
Undesignated	-	17 030 96	314 113 75	331 144 71
Total fund balances	<u>-</u>	<u>17 030 96</u>	<u>314 113 75</u>	<u>331 144 71</u>
Total Liabilities and Fund Balances	<u>17 12</u>	<u>17 030 96</u>	<u>314 113 75</u>	<u>331 161 83</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2006

	<u>Park</u>	<u>Fire</u>	<u>Fire Capital Improvement</u>	<u>Total</u>
Revenues:				
Property taxes	-	-	56 167 58	56 167 58
Charges for services:				
Fire protection	-	58 000 00	51 554 09	109 554 09
Interest	163 81	1 014 05	6 232 35	7 410 21
Miscellaneous	-	3 317 46	18 779 71	22 097 17
	<u>163 81</u>	<u>62 331 51</u>	<u>132 733 73</u>	<u>195 229 05</u>
Total revenues				
	<u>163 81</u>	<u>62 331 51</u>	<u>132 733 73</u>	<u>195 229 05</u>
Expenditures:				
Fire protection:				
Salaries and wages	-	117 135 00	-	117 135 00
Payroll taxes	-	8 725 69	-	8 725 69
Pension	-	10 427 39	-	10 427 39
Operating supplies	-	15 951 73	11 669 28	27 621 01
Repairs and maintenance supplies	-	1 030 78	-	1 030 78
Professional services	-	55 16	119 748 00	119 803 16
Communications	-	956 42	-	956 42
Insurance	-	19 944 00	-	19 944 00
Repairs and maintenance	-	6 759 61	10 186 73	16 946 34
Education	-	-	2 040 00	2 040 00
Miscellaneous	-	5 507 00	4 405 44	9 912 44
Capital outlay	-	-	118 901 00	118 901 00
	<u>-</u>	<u>186 492 78</u>	<u>266 950 45</u>	<u>453 443 23</u>
Total expenditures				
	<u>-</u>	<u>186 492 78</u>	<u>266 950 45</u>	<u>453 443 23</u>
Excess (deficiency) of revenues over expenditures	<u>163 81</u>	<u>(124 161 27)</u>	<u>(134 216 72)</u>	<u>(258 214 18)</u>
Other financing sources (uses):				
Operating transfers in	-	108 000 00	-	108 000 00
Operating transfers out	(8 035 50)	-	-	(8 035 50)
Total other financing sources (uses)	<u>(8 035 50)</u>	<u>108 000 00</u>	<u>-</u>	<u>99 964 50</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7 871 69)</u>	<u>(16 161 27)</u>	<u>(134 216 72)</u>	<u>(158 249 68)</u>
Fund balances, April 1	<u>7 871 69</u>	<u>33 192 23</u>	<u>448 330 47</u>	<u>489 394 39</u>
Fund Balances, March 31	<u>-</u>	<u>17 030 96</u>	<u>314 113 75</u>	<u>331 144 71</u>



CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS  
March 31, 2006

<u>Assets</u>	<u>1995 S.A. Debt Retirement</u>	<u>1998 G.O. Debt Retirement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 G.O. Debt Retirement</u>
Cash in bank and investments	-	86 13	283 455 92	427 91
Special assessments receivable	-	-	319 209 51	-
Total Assets	-	86 13	602 665 43	427 91
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred revenue	-	-	310 316 75	-
Total liabilities	-	-	310 316 75	-
Fund balances:				
Reserved for debt retirement	-	86 13	292 348 68	427 91
Total fund balances	-	86 13	292 348 68	427 91
Total Liabilities and Fund Balances	-	86 13	602 665 43	427 91

<u>1999 S.A Debt Retirement</u>	<u>2001 G.O. Debt Retirement</u>	<u>2001 S.A. Debt Retirement</u>	<u>Total</u>
274 047 00	730 00	200 484 12	759 231 08
<u>228 301 24</u>	<u>-</u>	<u>374 811 03</u>	<u>922 321 78</u>
<u>502 348 24</u>	<u>730 00</u>	<u>575 295 15</u>	<u>1 681 552 86</u>
226 845 24	-	370 684 56	907 846 55
<u>226 845 24</u>	<u>-</u>	<u>370 684 56</u>	<u>907 846 55</u>
275 503 00	730 00	204 610 59	773 706 31
<u>275 503 00</u>	<u>730 00</u>	<u>204 610 59</u>	<u>773 706 31</u>
<u>502 348 24</u>	<u>730 00</u>	<u>575 295 15</u>	<u>1 681 552 86</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL DEBT SERVICE FUNDS  
Year ended March 31, 2006

	<u>1995 S.A. Debt Retirement</u>	<u>1998 G.O. Debt Retirement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 G.O. Debt Retirement</u>
Revenues:				
Interest	2 808 61	86	4 728 71	4 23
Special assessments	<u>-</u>	<u>-</u>	<u>70 666 37</u>	<u>-</u>
Total revenues	<u>2 808 61</u>	<u>86</u>	<u>75 395 08</u>	<u>4 23</u>
Expenditures:				
Debt service:				
Principal	155 000 00	50 000 00	65 000 00	65 000 00
Interest	3 875 00	11 282 50	29 022 50	46 666 25
Fees	<u>450 00</u>	<u>300 00</u>	<u>300 00</u>	<u>300 00</u>
Total expenditures	<u>159 325 00</u>	<u>61 582 50</u>	<u>94 322 50</u>	<u>111 966 25</u>
Excess (deficiency) of revenues over expenditures	<u>(156 516 39)</u>	<u>(61 581 64)</u>	<u>(18 927 42)</u>	<u>(111 962 02)</u>
Other financing sources (uses):				
Operating transfers in	-	59 182 50	-	108 618 75
Operating transfers out	<u>(74 819 31)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(74 819 31)</u>	<u>59 182 50</u>	<u>-</u>	<u>108 618 75</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(231 335 70)	1 87	(14 051 20)	9 31
Fund balances, April 1	<u>231 335 70</u>	<u>84 26</u>	<u>306 399 88</u>	<u>418 60</u>
Fund Balances, March 31	<u><u>-</u></u>	<u><u>86 13</u></u>	<u><u>292 348 68</u></u>	<u><u>427 91</u></u>

<u>1999 S.A Debt Retirement</u>	<u>2001 G.O. Debt Retirement</u>	<u>2001 S.A. Debt Retirement</u>	<u>Total</u>
8 637 75	3 56	2 532 63	22 662 31
<u>57 041 09</u>	<u>-</u>	<u>97 973 88</u>	<u>223 497 69</u>
<u>65 678 84</u>	<u>3 56</u>	<u>100 506 51</u>	<u>246 160 00</u>
55 000 00	80 000 00	55 000 00	525 000 00
27 851 25	52 532 50	26 122 50	188 485 00
<u>300 00</u>	<u>250 00</u>	<u>250 00</u>	<u>2 150 00</u>
<u>83 151 25</u>	<u>132 782 50</u>	<u>81 372 50</u>	<u>715 635 00</u>
<u>(17 472 41)</u>	<u>(132 778 94)</u>	<u>19 134 01</u>	<u>(469 475 00)</u>
-	132 782 50	-	300 583 75
<u>-</u>	<u>-</u>	<u>-</u>	<u>(74 819 31)</u>
<u>-</u>	<u>132 782 50</u>	<u>-</u>	<u>225 764 44</u>
(17 472 41)	3 56	19 134 01	(243 160 16)
<u>292 975 41</u>	<u>726 44</u>	<u>185 476 58</u>	<u>1 016 866 47</u>
<u>275 503 00</u>	<u>730 00</u>	<u>207 610 59</u>	<u>773 706 31</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS  
March 31, 2006

	<u>2001</u> <u>Construction</u>	<u>2006</u> <u>Construction</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank and investments	-	84 071 98	84 071 98
Total Assets	-	84 071 98	84 071 98
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	-	84 071 98	84 071 98
Total fund balances	-	84 071 98	84 071 98
Total Liabilities and Fund Balances	-	84 071 98	84 071 98

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES- ALL CAPITAL PROJECTS FUNDS

Year ended March 31, 2006

	<u>2001</u> <u>Construction</u>	<u>2006</u> <u>Construction</u>	<u>Total</u>
Revenues:			
Charges for services:			
Other	65 841 27	-	65 841 27
Interest	-	1 655 94	1 655 94
Total revenues	<u>65 841 27</u>	<u>1 655 94</u>	<u>67 497 21</u>
Expenditures:			
Public works:			
Sewer	65 841 27	840 064 15	905 905 42
Debt service	-	27 519 81	27 519 81
Total expenditures	<u>64 841 27</u>	<u>867 583 96</u>	<u>933 425 23</u>
Excess (deficiency) of revenues over expenditures	-	(865 928 02)	(865 928 02)
Other financing sources (uses):			
Loan proceeds	-	950 000 00	950 000 00
Total other financing sources (uses)	-	<u>950 000 00</u>	<u>950 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	84 071 98	84 071 98
Fund balances, April 1	-	-	-
Fund Balances, March 31	<u>-</u>	<u>84 071 98</u>	<u>84 071 98</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUNDS  
March 31, 2006

	<u>Current Tax Collection</u>	<u>Agency</u>	<u>Total</u>
<u>Assets</u>			
Cash in Bank and Investments	<u>20 272 64</u>	<u>432 00</u>	<u>20 704 64</u>
<u>Liabilities</u>			
Due to other funds	<u>12 011 11</u>	<u>72 00</u>	<u>12 083 11</u>
Due to others	<u>8 261 53</u>	<u>360 00</u>	<u>8 621 53</u>
Total Liabilities	<u>20 272 64</u>	<u>432 00</u>	<u>20 704 64</u>

CHARTER TOWNSHIP OF TALLMADGE  
Ottawa County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS  
Year ended March 31, 2006

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash and Investments	<u>4 676 44</u>	<u>6 195 791 08</u>	<u>6 180 194 88</u>	<u>20 272 64</u>
<u>Liabilities</u>				
Due to other funds	4 676 44	525 913 87	518 579 20	12 011 11
Due to others	<u>-</u>	<u>5 669 877 21</u>	<u>5 661 516 68</u>	<u>8 261 53</u>
Total Liabilities	<u>4 676 44</u>	<u>6 195 791 08</u>	<u>6 180 194 88</u>	<u>20 272 64</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>1 328 79</u>	<u>51 011 10</u>	<u>50 579 10</u>	<u>432 00</u>
<u>Liabilities</u>				
Due to other funds	-	888 50	816 50	72 00
Due to others	<u>-</u>	<u>50 122 60</u>	<u>49 762 60</u>	<u>360 00</u>
Total Liabilities	<u>-</u>	<u>51 011 10</u>	<u>50 579 10</u>	<u>432 00</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and Investments	<u>4 676 44</u>	<u>6 246 802 18</u>	<u>6 230 773 98</u>	<u>20 704 64</u>
<u>Liabilities</u>				
Due to other funds	-	526 802 37	519 395 70	12 083 11
Due to others	<u>4 676 44</u>	<u>5 719 999 81</u>	<u>5 711 378 28</u>	<u>8 621 53</u>
Total Liabilities	<u>4 676 44</u>	<u>6 246 802 18</u>	<u>6 230 773 98</u>	<u>20 704 64</u>



# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 1, 2006

To the Township Board  
Charter Township of Tallmadge  
Ottawa County, Michigan

We have audited the financial statements of the Charter Township of Tallmadge for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Charter Township of Tallmadge in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Charter Township of Tallmadge  
Ottawa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants